Icelandic Group hf.

Consolidated Financial Statements
Year Ended 31 December 2011
in euro

Icelandic Group hf.
Borgartún 27
105 Reykjavík

Reg. no. 461296-2119

Contents

Endorsement and Statement by the Board of Directors and the CEO

Icelandic Group´s consolidated financial statements for the year 2011 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by EU. The financial statements comprise the consolidated financial statements of Icelandic Group hf. (the "Company") and its subsidiaries (the "Group"), which were 19 at 31 December 2011.

Icelandic Group hf. is a holding company for manufacturing and marketing companies specialising in seafood on international markets.

According to the statement of comprehensive income total comprehensive income amounted to € 61.9 million for the year. The Group's income from continuing operations amounted to € 524.8 million for the year. According to the statement of financial position total assets at year end amounted to € 373.0 million and equity amounted to € 178.1 million. The equity ratio of the Group was 47.8%.

The Board of Directors will submit a proposal to the Annual General Meeting on dividend to shareholders. Reference is made to the financial statements regarding deployment of net profit and other changes in equity.

Restructuring of the Group

In the first half of the year the Company's Board of Directors decided to restructure its operations. In June, the Company reached an agreement on the sale of subsidiaries in Germany and France. The sale was concluded at the end of August. In September, the Company reached an agreement to sell part of it's operations in China. The sale was concluded in October. In November, the Company reached an agreement on the sale of subsidiaries in USA, Iceland and China. The sale was completed on 19 December 2011. Profit on the sales of these operations amounted € 68.0 million and is included in discontinued operation. The Company's operation in Germany, France, China, Iceland and the US is classified as discontinued operation and recognised as a specific item in the profit or loss in addition to comparative figures for the year 2010. Note no. 7 includes information on income, expenses and profit on discontinued operation. Comparative figures in the statement of financial position have not been adjusted as the decision of restructuring the operation was made in the year 2011.

Share capital and Articles of Association

In end of November 2011 a shareholders' meeting accepted that the Company could purchase 32.2% or 929.0 million of its own shares for € 38.4 million. The Company's Articles of Association were changed and the number of shares decreased from 2,793.9 million to 2,072.0 million or by 721.9 million. Treasury share number 207.1 million at year end 2011. The share capital amounted to € 11.2 million according to the statement of financial position. The share capital is divided into shares of ISK 1, each with equal rights within a single class of shares.

The Company´s Board of Directors comprise five members elected on the annual general meeting for a term of one year. Those persons willing to stand for election must give formal notice thereof to the Board of Directors at least five days before the annual general meeting. The Company´s Articles of Association may only be amended at a legitimate shareholders' meeting, provided that amendments and their main aspects are clearly stated in the invitation to the meeting. A resolution will only be valid if it is approved by at least 2/3 of votes cast and is approved by shareholders controlling at least 2/3 of the share capital represented at the shareholders' meeting.

Shareholders at the year end numbered two. At the end of the year majority shareholder was Framtakssjóður Íslands slhf. with 99.99%

Further information on matters related to share capital is disclosed in note 25.

Statement by the Board of Directors and the CEO

The annual consolidated financial statements for the year ended 31 December 2011 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements.

Endorsement and statement by the Board of Directors and the CEO, contd.:

According to our best knowledge it is our opinion that the annual consolidated financial statements give a true and fair view of the consolidated financial performance of the Company for the financial year 2011, its assets, liabilities and consolidated financial position as at 31 December 2011 and its consolidated cash flows for the financial year 2011.

Further, in our opinion the consolidated financial statements and the endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the annual consolidated financial statements of Icelandic Group hf. for the year 2011 and confirm them by means of their signatures. The Board of Directors and the CEO reccommend that the consolidated financial statements will be approved at the annual general meeting of Icelandic Group hf.

Reykjavík, 19 March 2012.

Board of Directors:

Herdís Dröfn Fjeldsted

Árni Geir Pálsson

Egill Tryggvason

Ingunn B. Vilhjálmsdóttir

Steinþór Baldursson

CEO:

Lárus Ásgeirsson

Independent Auditors' Report

To the Board of Directors and Shareholder of Icelandic Group hf.

We have audited the accompanying consolidated financial statements of Icelandic Group hf., which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Icelandic Group hf. as at 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on the Board of Directors report

Pursuant to the legal requirement under Article 106, Paragraph 1, Item 5 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors accompanying the financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Financial Statements.

Reykjavík, 19 March 2012.

KPMG ehf.

Sæmundur Valdimarsson

Margret G. Flóvenz

Consolidated Statement of Comprehensive Income for the year 2011

	Notes	2011	2010 Restated*
Continuing operations			
Sales	8	524.731	515.278
Cost of goods sold		(480.201)	(461.873)
Gross profit		44.530	53.405
Other operating income	9	32	5
Operating expenses	10	(43.444)	(43.064)
Share of profit of equity accounted investees, net of income tax		3	(2)
Operating profit		1.121	10.344
Finance income		1.957	761
Finance costs		(5.312)	(3.963)
Net finance costs	13	(3.355)	(3.202)
(Loss) profit before income tax		(2.234)	7.142
Income tax	14,15	(1.893)	(1.670)
(Loss) profit for the year from continuing operations		(4.127)	5.472
Discontinued operations			
Profit from discontinued operation, net of income tax	7	48.319	612
Profit for the year		44.192	6.084
Other Comprehensive Income			
Foreign currency translation differences for foreign operation		2.501	8.587
Foreign currency translation differences reclassified to profit or loss		15.220	0
Cash flow hedge		0	(374)
Income tax relating to cash flow hedge		0	112
Other comprehensive income for the year, net of income tax		17.721	8.325
Total comprehensive income for the year		61.913	14.409

The notes on pages 11 to 39 are integral part of these financial statements

* The comparative figures have been re-presented to show the discontinued operations separately from continuing operations

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Consolidated Statement of Comprehensive Income for the year 2011 contd.

	Notes	2011	2010 Restated*
Profit for the year attributable to			
Equity holders of the Company		44.172	6.097
Non-controlling interest		20	(13)
Profit for the year		44.192	6.084
Total comprehensive income attributable to			
Equity holders of the Company		61.913	14.139
Non-controlling interest		0	270
Total comprehensive income for the year		61.913	14.409
Earnings per share			
Basic and diluted earnings per share (each share is 1 Icelandic króna)	30	0,0162	0,0022
Earnings per share - continuing operations			
Basic and diluted (loss) earnings per share (each share is 1 Icelandic króna)	30	(0,0015)	0,0020

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* The comparative figures have been re-presented to show the discontinued operations separately from continuing operations

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Consolidated Statement of Financial Position as at 31 December 2011

	Notes	2011	2010
Assets			
Property, plant and equipment	16-20	34.355	103.947
Intangible assets	21	47.466	64.864
Other investments	22	3.269	1.400
Deferred tax assets	33	381	3.710
Total non-current assets		85.471	173.921
Inventories	23	85.553	168.029
Trade and other receivables	24	54.257	111.393
Restricted cash		38.463	0
Cash and cash equivalents		109.295	26.084
Total current assets		287.568	305.506
Total assets		373.039	479.427
Equity			
Share capital	25	11.169	16.733
Share premium	26	108.296	141.095
Reserves (deficit)	27-29	2.761	(14.980)
Retained earnings		55.903	11.731
Total equity attributable to equity holders of the company		178.129	154.579
Non-controlling interest		0	2.357
Total equity		178.129	156.936
Liabilities			
Loans and borrowings	31,32	38.366	101.663
Deferred income tax liability	33	2.057	8.321
Total non-current liabilities		40.423	109.984
Loans and borrowings	31,32	73.236	110.224
Trade and other payables	34	81.251	102.283
Total current liabilities		154.487	212.507
Total liabilities		194.910	322.491
Total equity and liabilities		373.039	479.427

The notes on pages 11 to 39 are integral part of these financial statements

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Consolidated Statement of Changes in Equity for the year 2011

	Notes	Share capital	Share premium	Reserves (deficit)	Retained earnings	Non-controlling interest	Total equity
Changes in equity in 2010							
Equity as at 1.1.2010		16.733	141.095	(23.022)	5.634	2.087	142.527
Total comprehensive income for the year				8.042	6.097	270	14.409
Equity as at 31.12.2010		16.733	141.095	(14.980)	11.731	2.357	156.936
Changes in equity in 2011							
Equity as at 1.1.2011		16.733	141.095	(14.980)	11.731	2.357	156.936
Purchase of own shares	25	(5.564)	(32.799)				(38.363)
Total comprehensive income for the year				17.741	44.172	0	61.913
Acquisition of non-controlling interest						(219)	(219)
Disposal of non-controlling interests						(2.138)	(2.138)
Equity as at 31.12.2011		11.169	108.296	2.761	55.903	0	178.129

No dividends were paid in 2011 and 2010.

The notes on pages 11 to 39 are integral part of these financial statements

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Consolidated Statement of Cash Flows
for the year 2011

	Notes	2011	2010
Cash flows from operating activities			
Operating profit		8.860	25.608
Difference between operating profit and cash from operations:			
Net loss (gain) on sale of assets		30	(425)
Depreciation and amortisation	12	12.915	16.256
Share of profit of equity accounted investees		(12)	(31)
Change in operating assets and liabilities	38	(16.487)	(1.375)
Cash generated from operations		5.306	40.033
Interest income received		447	938
Interest and finance costs paid		(6.712)	(10.812)
Income tax paid		(1.242)	(5.330)
Net cash (used in) provided by operating activities		(2.201)	24.829
Cash flows from investing activities			
Investment in property, plant and equipment	16	(13.312)	(20.923)
Proceeds from sale of property, plant and equipment		369	653
Investment in intangible assets		(2.132)	(735)
Net cash inflow on disposal of subsidiary	7	151.314	0
Restricted cash		(37.438)	0
Decrease in bonds and other receivables		(1.309)	460
Net cash provided by (used in) investing activities		97.492	(20.545)
Cash flows from financing activities			
Purchase of own shares		(38.363)	0
Long-term debt proceeds		897	7.757
Long-term debt repaid		(14.224)	(15.556)
Short-term debt proceeds		39.364	2.581
Net cash used in financing activities		(12.326)	(5.218)
Increase (decrease) in cash and cash equivalents		82.965	(934)
Effect of exchange rate fluctuations on cash held		246	1.768
Cash and cash equivalents at 1 January		26.084	25.250
Cash and cash equivalents at 31 December		109.295	26.084

The notes on pages 11 to 39 are integral part of these financial statements

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Notes

1. Reporting entity

Icelandic Group hf. is a company domiciled in Borgartún 27, Reykjavík, Iceland. The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries, together referred to as the "Group" and individually as "Group entities", and the Group´s interest in associates. The Group is involved in manufacturing and marketing of seafood in international markets (see note 6).

2. Basis of preparation

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by EU.

The consolidated financial statements were approved by the Board of Directors on 19 March 2012.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

* Financial instruments at fair value though profit or loss are measured at fair value
* Derivative financial instruments are measured at fair value

The methods used to measure fair values are discussed further in note 4.

c. Functional and presentation currency

The consolidated financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand.

d. Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements is included in note 21 on measurement of the recoverable amounts of cash-generating units containing goodwill.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

a. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

3. Significant accounting policies, contd.:

a. Basis of consolidation, contd.:

(ii) Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euro at exchange rates at the date of transactions.

Foreign currency differences arising on translation are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of translation difference is allocated to the non-controlling interests. When a foreign operations is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

3. Significant accounting policies, contd.

c. Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, restricted cash, cash and cash equivalents, loans and borrowings, and trade and other payables. Financial assets and liabilities are recognised on the date that they are originated.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchases and sales decisions based on their fair value in accordance with the Group´s documented risk management or investment strategy. Upon initial recognition, attributable translation costs are recognised in profit or loss as incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Loan and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loan and receivable are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Restricted cash

Restricted cash comprise cash balances with maturities of three months or more from the reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Accounting for finance income and expenses is discussed in note 3. m.

(ii) Derivative financial instruments

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

3. Significant accounting policies, contd.:

c. Financial instruments, contd.:

(ii) Derivative financial instruments, contd.:

Other non-trading derivatives

When a derivative financial instruments is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares is recognised as a deduction from equity, net of tax effects.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity.

(iv) Dividends

Dividends are recognised as a decrease in equity in the period in which they are approved by the Company's shareholders.

d. Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that is directly attributable to the acquisition of the asset and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other operating income" in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term or their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

3. Significant accounting policies, contd.:

d. Property, plant and equipment, cont.:

(iii) Depreciation, contd.:

	Useful lives
Buildings	10-50 years
Other fixed assets	5-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

e. Intangible assets

(i) Goodwill

Goodwill (negative goodwill) arises up on the acquisition of subsidiaries.

Goodwill represents the excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately as income in profit or loss.

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

(iv) Amortisation

Amortisation is calculated over the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

	Useful lives
Business relationship	5-20 years
Software	3 - 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. Significant accounting policies, contd.:

f. Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group´s statement of financial position.

g. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production and conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. The cost of inventory may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

h. Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

3. Significant accounting policies, contd.:

h. Impairment, contd.:

(ii) Non financial assets

The carrying amount of the Group´s non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Goodwill acquired in a business combination is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i. Employee benefits

Defined contribution plans

A defined benefit plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

j. Provisions

A provision is recognised in the statement of financial position if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3. Significant accounting policies, contd.:

k. Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenues is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs or the possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

The timing of the transfers of risks and rewards vary depending on the individual terms of the contract of sale.

(ii) Other operating revenue

Other operating revenue comprises the gain on the sale of property, plant and equipment and other revenue.

l. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

m. Finance income and costs

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group´s right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to acquisition or construction of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in net gain or net loss position.

n. Income tax

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. Significant accounting policies, contd.:

n. Income tax, contd.:

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

o. Discontinued operations

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

p. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

q. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment's operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Inter-segment pricing is determined on an arm´s length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

3. Significant accounting policies, contd.:

r. New standards and interpretations not yet adopted

The Group has applied all International Financial Reporting Standards, amendments to standards and interpretations that the EU has adopted at year-end 2011 and are relevant to its operations. The Group has not adopted standards, amendments to standards and interpretations that are not yet effective for the year ended 31 December 2011, but can be adopted earlier. The effect on the consolidated financial statements of the Group has not been evaluated.

4. Determination of fair values

A number of the Group´s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm´s length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

(ii) Intangible assets

The fair value of trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the trademark being owned. The fair value of business relationships acquired in a business combination is determined using the multiperiod excess earnings method. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iv) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

(v) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate based on government bonds.

(vi) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

* Credit risk
* Liquidity risk
* Market risk
* Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has commended the CEO day to day developing and monitoring of the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group´s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group´s customer base, including the default risk of the industry and country in which customer operate, has less of an influence on credit risk. Approximately 55% (2010: 56%) of the Group´s sales from continuing operations is attributable to sales transactions with its five largest customers.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group´s standard payment and delivery terms and conditions are offered. The Group´s review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount. Customers that fail to meet the Group´s benchmark creditworthiness may transact with the Group only on a prepayment basis.

Most of the Group´s customers have been transacting with the Group for many years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss components that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

5. Financial risk management, contd.:

Guarantees

The Group´s policy is to provide financial guarantees only to subsidiaries. At 31 December 2011 guarantees provided to subsidiaries amounting to € 40.7 million (2010: € 73.5 million) were outstanding.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains lines of credit amounting to € 6.9 million (2010: € 36.0 million) that can be drawn down to meet short-term financing needs.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group´s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the euro (€), but also the Pound Sterling (GBP) and U.S. Dollars (USD). The currencies in which these transactions primarily are denominated are GBP, Swiss Francs (CHF), Canadian dollar (CAD) and USD.

Interest rate risk

Most of the Group's borrowings are on a floating rate basis.

Other market price risk

Other market price risk is limited, as the Group's investments in held-to-maturity bonds and shares at fair value through profit or loss is immaterial part of the Group's operations.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

5. Financial risk management, contd.:

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-controlling interest. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group´s target is to achieve a return on capital of between 12.5 and 15.0 percent; in 2011 the return from continuing operations was negative by 1,7 percent (2010: positive by 3.9 percent). In comparison the weighted average interest expense on interest-bearing borrowings, excluding liabilities with imputed interest, was 3.3 percent (2010: 4.6 percent).

6. Operating segments

The Group comprises the following main reportable segments:

- * *Production:* Processing seafood into value added products.
- * *Sales and marketing:* Sales and marketing of seafood without further processing.
- * *Holding and servicing:* Parent company and companies that provide logistic and quality service to other group companies.

Business segments

2011	Production	Sales and marketing	Holding and servicing	Discontinued operations	Eliminations	Consolidated
Sales to external customers	269.022	255.628	81	352.183		876.914
Inter-segment sales	6.769	33.687	2.457	74.208	(117.121)	0
Total segment sales	275.791	289.315	2.538	426.391	(117.121)	876.914
Segment result	6.269	887	(6.035)	7.738	0	8.859
Net finance costs	142	(2.208)	(1.289)	(3.934)	0	(7.289)
Profit (loss) before income tax	6.411	(1.321)	(7.324)	3.804	0	1.570
Income tax	(1.935)	(587)	629	(4.866)	0	(6.759)
Gain on sale of operation less cumulative translation differences	0	0	0	49.381	0	49.381
Profit (loss) for the year	4.476	(1.908)	(6.695)	48.319	0	44.192
Segment assets	138.714	110.532	146.461		(22.668)	373.039
Segment liabilities	54.724	85.137	77.717		(22.668)	194.910
Capital expenditure	5.979	303	94	9.068		15.444
Depreciation and amortisation	6.586	546	182	5.601		12.915

2010	Production	Sales and marketing	Holding and servicing	Discontinued operations	Eliminations	Consolidated
Sales to external customers	274.268	240.893	117	484.289		999.567
Inter-segment sales	4.454	84.110	2.786	68.801	(160.151)	0
Total segment sales	278.722	325.003	2.903	553.090	(160.151)	999.567
Segment result	10.536	2.717	(2.909)	15.265		25.609
Net finance costs	(506)	(1.947)	(749)	(6.859)		(10.061)
Profit (loss) before income tax	10.030	770	(3.658)	8.406	0	15.548
Income tax	(1.995)	(25)	350	(7.794)		(9.464)
Profit (loss) for the year	8.035	745	(3.308)	612	0	6.084
Segment assets	128.293	106.597	19.770	287.586	(62.819)	479.427
Segment liabilities	44.503	77.902	57.261	206.040	(63.215)	322.491
Capital expenditure	7.533	566	109	12.725		20.933
Depreciation and amortisation	5.425	507	180	10.144		16.256

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7. Discontinued operation

In June 2011 the Group sold its subsidiaries in Germany and France. The sale was concluded at the end of August 2011. In September, the Company reached an agreement to sell part of it's operations in China. The sale was concluded in October. In December 2011 the Group sold its subsidiaries in USA and China. The sale was concluded at 19 December 2011. The subsidiaries were not part of a discontinued operations or classified as held for sale at 31 December 2010. The comparative consolidated statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations. Management commited to a plan to sell these subsidiaries early in 2011.

Results of discontinued operation

	2011	2010
Sales	352.183	484.289
Cost of goods sold	(296.077)	(409.834)
Gross profit	56.106	74.455
Other operating income	4	957
Operating expenses	(48.372)	(60.147)
Operating profit	7.738	15.265
Finance income	243	67
Finance costs	(4.177)	(6.926)
Net finance costs	(3.934)	(6.859)
Profit before income tax	3.804	8.406
Income tax	(4.866)	(7.794)
(Loss) profit from discontinued operations	(1.062)	612
Gain on sale of discontinued operations	68.012	0
Reversal of intra-group generated trademark	(3.411)	0
Translation difference reclassified from other comprehensive income	(15.220)	0
Profit from discontinued operation, net of income tax	48.319	612
Basic and diluted earnings per share	0,0177	0,0002

Cash flows from discontinued operation

	2011	2010
Net cash generated from operating activities	3.782	22.913
Net cash used in investing activities	(8.945)	(12.137)
Net cash provided by financing activities	4.801	29
Net cash flow for the year	(362)	10.805

Effect of disposal on the financial position of the Group

	2011
Property, plant and equipment	(72.756)
Intangible assets	(19.076)
Other investments	(232)
Deferred tax assets	(1.306)
Inventories	(110.340)
Trade and other receivables	(60.465)
Cash and cash equivalents	(11.236)
Loans and borrowings, non-current	52.564
Deferred income tax liability	4.987
Loans and borrowings, current	79.948
Trade and other payables	38.551
Net assets and liabilities	(99.361)
Consideration received, satisfied in cash	162.550
Cash and cash equivalents disposed of	(11.236)
Net cash inflow	151.314

Expenses related to the disposal of the subsidiaries are included in the results of discontinued operations.

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8. Sales

Sales is specified as follows:

	Continued operations		Discontinued operations		Total	
	2011	2010	2011	2010	2011	2010
Sales	524.169	514.629	349.033	478.912	873.202	993.541
Commission	562	649	3.150	5.377	3.712	6.026
Sales, total	524.731	515.278	352.183	484.289	876.914	999.567

9. Other income

Other operating income is specified as follows:

	Continued operations		Discontinued operations		Total	
	2011	2010	2011	2010	2011	2010
Gain on sale of assets	32	5	4	635	36	640
Other income	0	0	0	322	0	322
Other operating income, total	32	5	4	957	36	962

10. Operating expenses

Operating expenses are specified as follows:

	2011	2010
Salaries and salary-related expenses	23.161	23.227
Loss on sale of assets	9	33
Other operating expenses	18.171	18.255
Depreciation of operating assets and amortisation and impairment losses of intangible assets	2.103	1.549
Total operating expenses	43.444	43.064

11. Salaries and salary-related expenses are specified as follows:

	Continued operations		Discontinued operations		Total	
	2011	2010	2011	2010	2011	2010
Salaries	41.682	41.807	27.929	53.408	69.611	95.215
Salary-related expenses	3.499	3.614	3.569	6.043	7.068	9.657
Total salaries and salary-related expenses	45.181	45.421	31.498	59.451	76.679	104.872

	2011	2010
Average number of employees (full year equivalents)	3.030	3.653
Positions with the Group at the end of the year	1.595	3.796

Salaries and salary-related expenses are allocated as follows on items in the profit or loss:

	Continued operations		Discontinued operations		Total	
	2011	2010	2011	2010	2011	2010
Cost of goods sold	22.020	22.194	14.982	32.572	37.002	54.766
Operating expenses	23.161	23.227	16.516	26.879	39.677	50.106
Total salaries and salary-related expenses	45.181	45.421	31.498	59.451	76.679	104.872

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Notes, contd.:

11. Salaries and salary-related expenses contd.:

Salaries and fringe benefits paid to the Board of Directors and key management for their work for companies within the group and ownership in the Company are specified as follows:

	Salaries and benefits
Board of Directors:	
Herdís Dröfn Fjeldsted, Chairman of the Board from 10 February 2011*	26
Árni Geir Pálsson, Board Member from 4 November 2011	1
Egill Tryggvason, Board Member from 4 October 2011*	4
Ingunn Björk Vilhjálmsdóttir, Board Member from 31 August 2011	5
Steinþór Baldursson, Board Member	14
Þór Hauksson, alternative Board Member and former Board Member*	11
Brynjólfur Bjarnason, former Chairman of the Board and former Board Member	9
Henrik Leth, former Board Member	9
Lárus Ásgeirsson, Board Member from 31 August 2011 to 4 October 2011	1
Managing Director:	
Finnbogi A. Baldvinsson, CEO to 10 February 2011	29
Brynjólfur Bjarnason, CEO from 10 February 2011 to 31 August 2011	90
Lárus Ásgeirsson CEO from 4 October 2011	37

* The salaries of three Board Members are paid to Framtakssjóður Íslands slhf.

12. The Group's depreciation charge in profit or loss is specified as follows:

	2011	2010
Depreciation of property, plant and equipment, see note 16	11.872	14.791
Amortisations of intangible assets, see note 21	847	1.465
Impairment losses of intangible assets, see note 21	196	0
Total	12.915	16.256

Depreciation, amortisation and impairment loss is allocated as follows on operating items:

	2011	2010
Cost of goods sold	4.999	4.505
Operating expenses	2.103	1.549
Discontinued operations	5.813	10.202
Total	12.915	16.256

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13. Net finance costs

Net finance costs are specified as follows:

	2011	2010
Interest income	514	347
Dividend income	137	298
Fair value changes on shares in other companies	691	0
Gain on sale of shares	0	116
Net currency gain	615	0
Finance income, total	1.957	761
Interest expenses	(5.312)	(3.720)
Net currency loss	0	(243)
Finance costs, total	(5.312)	(3.963)
Net finance costs	(3.355)	(3.202)

14. Income tax expense

Income tax recognised in profit or loss is specified as follows:

	2011	2010
Current tax expense	2.163	1.611
Deferred tax expense	(270)	59
Total income tax in continuing operations	1.893	1.670
Income tax in discontinued operations	4.866	7.794
Total income tax expense	6.759	9.464

15. Effective tax rate for continuing operations is specified as follows:

		2011		2010
(Loss) profit for the year from continuing operations		(4.127)		5.472
Total income tax		1.893		1.670
Profit excluding income tax		(2.234)		7.142
Income tax using Icelandic corporation tax rate	20,0%	447	18,0%	(1.286)
Effect of tax rate in foreign jurisdictions	(93,2%)	(2.081)	9,6%	(686)
Non-deductable expenses	(0,4%)	(8)	0,0%	1
Other items	(11,2%)	(251)	(4,2%)	301
Effective tax rate	(84,7%)	(1.893)	23,4%	(1.670)

The main reason for fluctuations in effective income tax rates in the statement of comprehensive income is explained by different geographical composition of profit or loss before taxes in individual companies and periods, tax assets that are not capitalized and presentation of transactions in the statement of comprehensive income between continuing and discontinuing operations.

16. Property, plant and equipment

Property, plant and equipment is specified as follows:

	Buildings and land	Other operating assets	Total
Cost or deemed cost			
Balance at 1 January 2010	65.040	108.753	173.793
Reclassifications	6	(93)	(87)
Purchases during the year	7.543	14.199	21.742
Disposals	(376)	(3.374)	(3.750)
Exchange rate differences	2.022	3.247	5.269
Balance at 31 December 2010	74.235	122.732	196.967
Reclassifications	91	(239)	(148)
Purchases during the year	824	12.488	13.312
Disposals of subsidiaries	(55.511)	(69.547)	(125.058)
Other disposals	0	(648)	(648)
Exchange rate differences	1.065	2.139	3.204
Balance at 31 December 2011	20.704	66.925	87.629

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16. Property, plant and equipment, contd.:

Property, plant and equipment is specified as follows, contd.:

	Buildings and land	Other operating assets	Total
Depreciation and impairment losses			
Balance at 1 January 2010	13.538	65.520	79.058
Reclassifications	6	(93)	(87)
Depreciation	3.328	11.463	14.791
Disposals	(277)	(2.746)	(3.023)
Exchange rate differences	353	1.928	2.281
Balance at 31 December 2010	16.948	76.072	93.020
Reclassifications	0	(115)	(115)
Depreciation	2.415	9.457	11.872
Disposals of subsidiaries	(14.688)	(37.614)	(52.302)
Other disposals	0	(436)	(436)
Exchange rate differences	304	931	1.235
Balance at 31 December 2011	4.979	48.295	53.274
Carrying amounts			
1.1.2010	51.502	43.233	94.735
31.12.2010	57.287	46.660	103.947
31.12.2011	15.725	18.630	34.355
Depreciation ratios	2-10%	10-20%	

17. Finance leases

Equipment and machinery for which the Group has concluded lease agreements are capitalized despite the ownership right of the lessor according to the agreements. The remaining balance of the lease agreements amounted to € 47 thousand at year-end 2011 (2010: € 257 thousand).

18. Operating leases

The Group has entered into operating lease contracts for machinery and production equipment. Commitments from these contracts are not included in the statement of financial position.

19. Mortgages and Guarantees

Mortgages and guarantees for debt with a remaining balance of € 38,290 thousand (2010: € 63,798 thousand) were registered against the Group´s assets at year-end 2011.

20. Insurance value

Insurance and book value at year-end were as follows:

	2011	2010
Insurance value of buildings	36.587	123.745
Book value of buildings	15.725	57.287
Insurance value of other operating assets	56.577	72.067
Book value of other operating assets	18.630	46.660

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21. Intangible assets

The Group's intangible assets are specified as follows:

	Goodwill	Trademarks	Business relationships	Other intangible assets	Total
Cost					
Balance at 1.1 2010	170.548	26.517	12.919	4.222	214.206
Purchases during the year	0	0	150	583	733
Exchange rate differences	10.870	432	229	148	11.679
Balance at 31.12.2010	181.418	26.949	13.298	4.953	226.618
Purchases during the year	0	0	567	1.565	2.132
Disposals	(124.156)	(26.936)	(12.629)	(3.843)	(167.564)
Exchange rate differences	1.573	0	13	60	1.646
Balance at 31.12.2011	58.835	13	1.249	2.735	62.832
Amortisations and impairment losses					
Balance at 1.1.2010	126.479	18.416	3.463	2.485	150.843
Amortisation for the year	0	0	819	646	1.465
Exchange rate differences	9.285	0	83	78	9.446
Balance at 31.12.2010	135.764	18.416	4.365	3.209	161.754
Reclassifications	0	0	246	426	672
Amortisation for the year	0	0	318	529	847
Impairment losses	196	0	0	0	196
Disposals	(124.160)	(18.404)	(3.962)	(1.962)	(148.488)
Exchange rate differences	327	0	13	45	385
Balance at 31.12.2011	12.127	12	980	2.247	15.366
Carrying amounts					
1.1.2010	44.069	8.101	9.456	1.737	63.363
31.12.2010	45.654	8.533	8.933	1.744	64.864
31.12.2011	46.708	1	269	488	47.466
Depreciations ratios			5-33%	4-15%	

Amortisation and impairment charge

The amortisation is allocated to the cost of inventory and is recognised in cost of goods sold as inventory is sold. The impairment loss is recognised in other operating expense in profit or loss.

Impairment testing for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating entities which represent the lowest level within the Group, at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	2011	2010
Seachill Ltd.	46.708	45.452
Fiskval ehf.	0	202
Total goodwill	46.708	45.654

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21. Intangible assets, contd.:

The value in use of each unit was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

Cash flows were projected based on actual operating results and a five year business plan for each unit approved by management. Cash flows for future periods were extrapolated using a constant growth rate.

The anticipated annual real revenue growth rate included in the cash flow projection was minus 6.7% to plus 5.0% for the years 2012 to 2016. Future growth ranged between 1.0% and 2.0%. A long term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the country in which the division is based and the long-term compound annual growth rate in EBITDA estimated by management

A post-tax discount rate between 10.2% and 12.0% was applied in determining the recoverable amount of the respective cash generating units. The discount rate was estimated based on the industry‘s capital structure and risk profile along with company specific metrics.

An increase of 1 percentage point in the discount rate used would not result in further impairment loss on intangible assets at year-end 2011.

A 10 percent decrease in future planned EBITDA would not result in further impairment loss on intangible assets at year-end 2011.

All the carrying amount of goodwill is related to the production companies.

Trademarks purchased and acquired are capitalised by the Group´s production companies.

22. Other investments

The Group's other investments are specified as follows:	2011	2010
Held-to-maturity investments	2.996	1.119
Equity accounted investees	890	226
Financial assets designated at fair value through profit or loss	168	166
	4.054	1.511
Current maturities	(785)	(111)
Total other investments	3.269	1.400

Held-to-maturity investments have interest rates of 5.3% to 6.5% (2010: 5.3% to 6.5%) and mature in 1 to 3 years.

The financial assets designated at fair value through profit and loss are equity securities.

The Group´s exposure to credit, currency and interest rate risks related to other investments is disclosed in note 35.

23. Inventories

Inventories are specified as follows:	2011	2010
Raw material and work in process	29.174	79.965
Finished goods	56.379	88.064
Total inventories	85.553	168.029

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24. Trade and other receivables

Trade and other receivables are specified as follows:

	2011	2010
Trade receivables	50.220	98.372
Other receivables	2.533	10.873
Prepaid expenses	1.504	2.148
Total trade and other receivables	54.257	111.393

The Group´s exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 35.

Equity

25. Issued shares

The Company's total number of shares according to its Articles of Association are 2,072 million (2010: 2,794 million). Issued shares at year-end numbered 2,072 million (2010: 2,794 million) and is all paid for. The owners of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share of one ISK at meetings of the Company.

The Company's Articles of Association were changed in November 2011 and the number of shares decreased from 2,793.9 million to 2,072.0 million or by 721.9 million. The Company held 207.1 million treasury shares at the year end (2010: nill)

26. Share premium

Share premium represents excess of payments above nominal value (ISK 1 per share) that shareholders have paid for shares sold by the Company less payments above nominal value that the Company has paid for treasury shares. According to Icelandic Companies Act, 25% of the nominal share capital must be held in reserve which can not be paid out as dividend to shareholders.

27. Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

28. Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

29. Other reserves

Other reserves are specified as follows:

	2011	2010
Translation reserve	2.761	(14.195)
Hedging reserve	0	(785)
Other reserves total	2.761	(14.980)

30. Earnings per share

The calculation of basic earnings per share was based on the profit attributable to shareholders of the Parent Company and a weighted average number of shares outstanding during the year calculated as follows:

Earnings per share:	2011	2010
Profit for the year attributable to equity holders of the parent	44.172	6.097
Weighted average number of ordinary shares	2.733.710	2.793.865
Earnings per share of ISK 1	0,0162	0,0022

Earnings per share - continuing operations:

	2011	2010
(Loss) profit for the year attributable to equity holders of the parent	(4.127)	5.472
Weighted average number of ordinary shares	2.733.710	2.793.865
(Loss) earnings per share of ISK 1	(0,0015)	0,0020

Diluted earnings per share is equal to basic earnings per share as the Company has not entered into share options agreements and has no convertible loans.

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31. Loans and borrowings

Loans and borrowings are specified as follows:

2011 Currency	**Non-current liabilities**	**Current liabilities**	**Total**
GBP	38.290	8.320	46.610
ISK	1.077	25.252	26.329
JPY	998	22.454	23.452
EUR	2.196	10.885	13.081
NOK	1.802	328	2.130
Loans and borrowings, total	44.363	67.239	111.602
Current maturities of non-current liabilities	(5.997)	5.997	0
Loans and borrowings according to statement of financial position	38.366	73.236	111.602

2010			
EUR	73.279	22.806	96.085
GBP	40.997	4.813	45.810
USD	7.641	23.559	31.200
JPY	938	25.557	26.495
CNY	0	7.366	7.366
ISK	2.558	0	2.558
NOK	0	2.356	2.356
CHF	17	0	17
Loans and borrowings, total	125.430	86.457	211.887
Current maturities of non-current liabilities	(23.767)	23.767	0
Loans and borrowings according to statement of financial position	101.663	110.224	211.887

Property, plant and equipment, inventory and accounts receivable have been pledged against loans the amount of € 76.8 million (2010: € 200.7 million).

32. Non-current loans and borrowings are payable as follows:

	2011	**2010**
Year 2011	-	23.767
Year 2012	5.997	69.500
Year 2013	36.619	6.588
Year 2014	426	5.418
Year 2015	229	17.514
Year 2016	11	2.643
Subsequent	1.081	0
Non-current loans and borrowings including current maturities	44.363	125.430

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33. Deferred tax assets and liabilities

Deferred tax asset and liabilities are specified as follows:

	Deferred tax assets	Deferred tax liability	Net
Balance at 1.1.2010	(5.710)	8.044	2.334
Income tax on continuing and discontinued operations	(302)	9.766	9.464
Income tax payable 2011 on 2010 activities	(503)	(800)	(1.303)
Exchange rate difference, prepaid tax and other changes	2.805	(8.689)	(5.884)
Balance at 31.12.2010	(3.710)	8.321	4.611
Disposals of discontinued operations	1.306	(4.987)	(3.681)
Income tax on continued and discontinued operations	(19)	6.777	6.758
Income tax payable 2012 on 2011 continuing activities	(58)	(440)	(498)
Exchange rate difference, prepaid tax and other changes	2.099	(7.614)	(5.515)
Balance at 31.12.2011	(381)	2.057	1.676

The deferred income tax liability is attributable to the following items:

	2011	2010
Property, plant and equipment	1.890	6.159
Intangible assets	0	2.240
Tax losses carried forward	12	(6.422)
Other items	(226)	2.634
Net income tax liability at year-end	1.676	4.611

34. Trade and other payables

Trade and other payables are specified as follows:

	2011	2010
Trade payables	61.326	77.669
Taxes for the year	498	1.303
Other payables	19.427	23.311
Total trade and other payables	81.251	102.283

Financial instruments

35. Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2011	2010
Held-to-maturity investments	2.996	1.119
Loans and receivables	52.753	109.134
Restricted cash	38.463	0
Cash and cash equivalents	109.295	26.084
	203.507	136.337

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2011	2010
Domestic	12	225
United Kingdom	27.337	24.639
Continental Europe	15.501	44.767
USA	0	20.325
Asia	7.370	8.416
	50.220	98.372

The Group´s five most significant customers for continuing operations account for € 22.1 million of the trade receivables carrying amount at 31 December 2011 (2010: € 19.1 million).

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35. Financial instruments, contd.:

Impairment losses

The aging of accounts receivables at the reporting date was:

	2011		2010	
	Gross	Impairment	Gross	Impairment
Past due 0-30 days	41.299	54	82.504	156
Past due 31-90 days	7.250	49	14.887	150
Past due 91-180 days	1.373	426	880	388
Past due 181-360 days	534	366	615	485
More than one year	825	167	1.084	419
	51.281	1.061	99.970	1.598

Provision for losses on trade and other receivables are specified as follows:

	2011	2010
Provision at 1 January	1.598	1.014
Changes in provision for the year	(492)	527
Exchange rate difference	(45)	57
Provision at 31 December	1.061	1.598

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
31 December 2011						
Non-derivative financial liabilities						
Non-current loans and and borrowings	38.366	39.762	0	37.809	807	1.146
Current loans and borrowings	73.236	74.727	74.727	0	0	0
Trade and other payables	81.251	81.251	81.251	0	0	0
	192.853	195.740	155.978	37.809	807	1.146
31 December 2010						
Non-derivative financial liabilities						
Non-current loans and and borrowings	101.663	109.959	0	63.510	41.899	4.550
Current loans and borrowings	110.224	113.773	113.773	0	0	0
Trade and other payables	102.283	102.283	102.283	0	0	0
	314.170	326.015	216.056	63.510	41.899	4.550

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35. Financial instruments, contd.:

Exposure to currency risk

The Group´s exposure to foreign currency risk was as follows based on notional amounts:

	ISK	GBP	USD	Other
31 December 2011				
Cash and ash equivalents	1.398	1.382	88.240	163
Restricted cash	0	0	37.438	0
Trade receivables	375	119	3.005	978
Loans and borrowings	(25.282)	0	0	(105)
Trade payables	(5.061)	(70)	(7.059)	(188)
Gross balance exposure	(28.570)	1.431	121.624	848
31 December 2010				
Cash and cash equivalents	37	0	4.749	1.968
Trade receivables	35	176	4.427	2.308
Loans and borrowings	0	0	(8.393)	(7.452)
Trade payables	(12)	(379)	(6.905)	(1.123)
Gross balance exposure	60	(203)	(6.122)	(4.299)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
GBP	0,8677	0,8585	0,8382	0,8614
CHF	1,2309	1,3832	1,2157	1,2513
CAD	1,3766	1,3669	1,3215	1,3343
USD	1,3908	1,3260	1,2939	1,3362
ISK	161,0038	161,7113	158,4000	153,3700

Sensitivity analysis

A 10 percent strengthening of the euro against the above mentioned currencies at 31 December would have decreased pre-tax profit € 9.533 thousand (2010: increase profit by € 1.056 thousand). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10 percent weakening of the euro against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group´s interest bearing financial instruments was:

	Carrying amount	
	2011	2010
Variable rate instruments		
Financial assets	109.295	26.084
Financial liabilities	(94.976)	(192.287)
	14.319	(166.203)

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35. Financial instruments, contd.:

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit or loss	
	100bp increase	100bp decrease
31 December 2011		
Variable rate instruments	143	(143)
Cash flow sensitivity (net)	143	(143)
31 December 2010		
Variable rate instruments	(1.662)	1.662
Cash flow sensitivity (net)	(1.662)	1.662

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31 December 2011		31 December 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Held-to-maturity investments	2.996	2.996	1.119	1.119
Financial assets designated at fair value through profit or loss	168	168	166	166
Loans and receivables	51.968	51.968	109.134	109.134
Restricted cash	38.463	38.463	0	0
Cash and cash equivalents	109.295	109.295	26.084	26.084
Loans and borrowings, non-current	(38.366)	(39.762)	(101.663)	(103.112)
Loans and borrowings, current	(73.236)	(74.727)	(110.224)	(111.005)
Trade and other payables	(81.251)	(81.251)	(102.283)	(102.283)
Gross balance sheet exposure	10.037	7.150	(177.667)	(179.897)

36. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2011	2010
Less than one year	484	4.526
Between one and five years	954	5.951
More than five years	0	2.160
	1.438	12.637

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37. Contingent liabilites

A subsidiary is currently in discussions with tax authorities who are challenging the tax deductibility of historic payments into employee incentive schemes. The potential liability of the subsidiary is considered to be in the order of € 13 million, including penalties and interest. Under the purchase agreement this amount is recoverable from the former shareholders of the subsidiary. The Group has not provided for any tax due.

38. Statement of Cash Flows

Changes in operating assets and liabilities in the statement of cash flows are specified as follows:

	2011	2010
Inventories, increase	(21.873)	(15.862)
Trade and other receivables, increase	(14.001)	(117)
Trade and other payables, increase	19.387	14.604
Net changes in working capital	(16.487)	(1.375)

39. Cash flows from operating activities are specified as follows:

	2011	2010
Profit for the year	44.192	6.084
Difference between gain and cash flows from operations:		
Loss (profit) from sales of assets	30	(425)
Profit on sale of subsidiaries	(68.012)	0
Profit on sale of shares in other companies	0	(117)
Translation differences reclassified from other comprehensive income	15.220	0
Reversal of intra-group generated trademark	3.411	
Depreciations, amortisation and impairment losses	12.915	16.256
Profit of equity accounted investees	(12)	(31)
Income tax	1.716	2.802
Other items	(1.342)	1.269
Net changes in working capital	8.118	25.838

40. Related parties

Identity of related parties

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the party in making financial or operational decisions. The Group's related parties include: Key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members, subsidiaries and associates. 99,99% of the Company is owned by Framtakssjóður Íslands slhf., which is in majoriy ownership of Icelandic pension funds.

Transactions with related parties

The Group has transactions with related parties. Transaction with such parties are made in the ordinary course of business and on sustantially the same terms as comparable transactions with other parties.

Transactions with key management personnel

Executive directors of the Group and their relatives control none of the voting shares of the Group (2010: none). Information on salaries and benefits of management paid for their work for the Company are disclosed in note 11.

Other related party transactions

A part of the parties defined as related parties have carried out general transactions with the Group. Terms and condition of the transactions are on an arm’s length basis and at year end are classified as such. The Group purchased consulting services amounting to € 90 thousand from Odix ehf. owned by Board member Mr. Steinþór Baldursson.

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41. Group entities

Subsidiaries numbered 19 at year-end (2010: 31) and are all included in the consolidated financial statements. They are:

	Share		Share
Coldwater Seafood (UK) Ltd., UK	100%	Icelandic Japan K.K., Japan	100%
Ecomsa S.A., Spain	100%	Icelandic Norway AS, Norway	100%
Fiskval ehf., Iceland	100%	Icelandic Services ehf., Iceland	100%
Gadus B.V., The Netherlands	100%	Icelandic Trademark ehf., Iceland	100%
Icelandic Asia Inc., S-Korea	100%	Icelandic UK Ltd., UK	100%
Icelandic China Trading Co. Ltd., China	100%	IFP Trading Ltd., UK	100%
Icelandic Group UK Ltd., UK	100%	Marinus ehf., Iceland	100%
Icelandic Hong Kong Ltd., Hong Kong	100%	Seachill Ltd., UK	100%
Icelandic Iberica S.A., Spain	100%	Sirius ehf., Iceland	100%
Icelandic Italy S.A.R.L, Italy	100%		

42. Financial Ratios

Financial ratios for the consolidated financial statements:	**2011**	**2010**
Current ratio	1.86	1.44
Equity ratio	47.8%	32.7%
Return on equity	28.4%	3.9%
Internal value	15.95	9.38
EBITDA (continuing operations including transactions with discontinued operations)	13.161	15.795
EBITDA ratio (continuing operations including transactions with discontinued operations)	2,5%	3,0%

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